



**Dr. Pixley Ka Isaka Seme Local Municipality  
(Registration number MP304)  
Annual Financial Statements  
for the year ended 30 June 2019**

# **Dr. Pixley Ka Isaka Seme Local Municipality**

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## **General Information**

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Service delivery
<b>Mayoral committee</b>	
Executive Mayor	PV Malatsi
Councillors	MA Dlangamandla OT Shabangu SN Nxumalo L De Jager BJ Mhlanga TP Dakile BG Mavuso GO Ngwenya TV Hlakutse V Vilakazi FE Mahlaba TE Manana BS Mavuso NLP Moloi LM Nkomo GR Nkambule XI Simelane IL Mkhwanazi TA Mazibuko PJ Maseko
<b>Grading of local authority</b>	3
<b>Chief Finance Officer (CFO)</b>	M Phetla
<b>Accounting Officer</b>	LB Tshabalala
<b>Business address</b>	Dr Nelson Mandela and Adelaide Tambo Street Volksrust 2470
<b>Postal address</b>	Private bag X 9011 Volksrust 2470
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General of South Africa
<b>Attorneys</b>	Coetzee, Spoelstra and Van Zyl Mjali and Zimema Attorneys TMN Kgomo and Associates
<b>Telephone and Fax</b>	(017) 734 - 6100 (Telephone) 086 630 2209 (Fax)
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# **Dr. Pixley Ka Isaka Seme Local Municipality**

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

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<b>COID</b>	<b>Compensation for Occupational Injuries and Diseases</b>
<b>CRR</b>	<b>Capital Replacement Reserve</b>
<b>DBSA</b>	<b>Development Bank of South Africa</b>
<b>GRAP</b>	<b>Generally Recognised Accounting Practice</b>
<b>HDF</b>	<b>Housing Development Fund</b>
<b>IAS</b>	<b>International Accounting Standards</b>
<b>IMFO</b>	<b>Institute of Municipal Finance Officers</b>
<b>IPSAS</b>	<b>International Public Sector Accounting Standards</b>
<b>ME's</b>	<b>Municipal Entities</b>
<b>MEC</b>	<b>Member of the Executive Council</b>
<b>MFMA</b>	<b>Municipal Finance Management Act</b>
<b>MIG</b>	<b>Municipal Infrastructure Grant (Previously CMIP)</b>

# **Dr. Pixley Ka Isaka Seme Local Municipality**

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

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**LB Tshabalala**  
**Municipal Manager**

# **Dr. Pixley Ka Isaka Seme Local Municipality**

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

The accounting officer submits his report for the year ended 30 June 2019.

### **1. Review of activities**

#### **Main business and operations**

The municipality is engaged in service delivery and operates principally in South Africa.

### **2. Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### **4. Accounting policies**

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

<b>Name</b>	<b>Nationality</b>
LB Tshabalala	South African

### **6. Corporate governance**

#### **General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

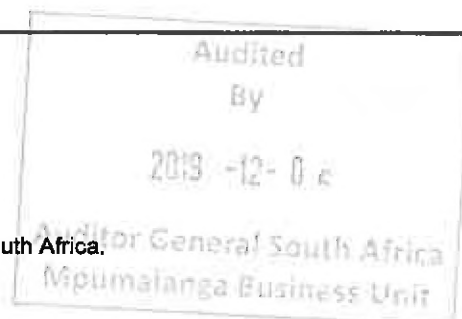
The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

### **7. Auditors**

Auditor General of South Africa will continue in office for the next financial period.

### **8. Non compliance with applicable legislation**

We are not aware of any non-compliance with regulations and applicable legislations.



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	9	1 664 443	796 258
Receivables from exchange transactions	10&12	21 688 773	50 634 250
Receivables from non-exchange transactions	11&12	15 666 783	28 468 145
Cash and cash equivalents	13	142 588 658	94 669 084
VAT receivable		207 152	-
		<b>181 815 809</b>	<b>174 567 737</b>
<b>Non-Current Assets</b>			
Investment property	3	108 186 306	110 082 308
Property, plant and equipment	4	902 690 832	786 681 251
Intangible assets	5	1	-
Heritage assets	6	3 485 999	3 485 999
Financial assets	7	741 057	741 057
		<b>1 015 104 195</b>	<b>900 990 615</b>
<b>Total Assets</b>		<b>1 196 920 004</b>	<b>1 075 558 352</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Employee benefit obligation	8	1 684 867	1 276 297
Finance lease obligation	14	418 239	94 401
Unspent conditional grants and receipts	15	4 736 815	738 907
Provisions	16	3 028 334	757 050
Payables from exchange transactions	17	126 399 786	34 235 002
VAT payable	18	-	10 317 440
Consumer deposits	19	1 695 187	2 014 636
		<b>137 963 228</b>	<b>49 433 733</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	8	26 393 243	23 456 360
Finance lease obligation	14	292 255	192 250
Provisions	16	28 385 920	20 098 331
Provision for water supply		-	87 277 109
		<b>55 071 418</b>	<b>131 024 050</b>
<b>Total Liabilities</b>		<b>193 034 646</b>	<b>180 457 783</b>
<b>Net Assets</b>		<b>1 003 885 358</b>	<b>895 100 569</b>
Accumulated surplus		<b>1 003 885 358</b>	<b>895 100 569</b>

Audited  
 By  
 2019 -12-06  
 Auditor General South Africa  
 Mpumalanga Business Unit

\* See Note 43

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	95 663 465	94 171 844
Rental from Fixed Assets	22	1 610 440	2 728 143
Agency services	24	4 257 327	5 490 729
Operational Revenue	26	1 279 022	1 138 273
Interest, Dividend and Rent on Land	27	35 479 571	43 994 000
Gains and Losses: Fair value adjustments		7 583	40 858
Sales of goods and rendering of services		363 589	-
Fair value adjustments		6 804	-
Actuarial gains		-	1 739 080
<b>Total revenue from exchange transactions</b>		<b>138 867 801</b>	<b>149 302 927</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	28	37 931 238	36 513 942
<b>Transfer revenue</b>			
Traffic fines	23	199 243	329 364
Government grants and subsidies	29	171 976 233	145 963 402
Public contributions and donations		-	6 790 370
<b>Total revenue from non-exchange transactions</b>		<b>210 106 714</b>	<b>189 597 078</b>
<b>Total revenue</b>	20	<b>348 774 515</b>	<b>338 900 005</b>
<b>Expenditure</b>			
Actuarial losses		(1 232 848)	-
Lease rentals on operating lease	25	(19 729)	(54 305)
Employee related costs	30	(85 772 467)	(74 750 632)
Remuneration of councillors	31	(9 325 382)	(8 358 196)
Depreciation and amortisation	32	(81 912 671)	(41 684 431)
Finance costs	33	(3 076 741)	(3 574 003)
Debt Impairment	34	(13 348 867)	(98 581 244)
Bulk purchases	35	(63 669 512)	(65 693 128)
Consumables		(3 834 637)	(861 966)
Contracted services	36	(25 226 359)	(28 739 892)
Inventories losses/write-downs		(569)	(1 483 465)
Loss on disposal of assets and liabilities		-	(808 187)
Operational Cost	37	(24 493 649)	(24 667 315)
<b>Total expenditure</b>		<b>(311 913 431)</b>	<b>(349 256 764)</b>
<b>Surplus (deficit) for the year</b>		<b>36 861 084</b>	<b>(10 356 759)</b>

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2019 -12- 0 6  
Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 43

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	725 195 400	725 195 400
Adjustments		
Prior year adjustments	180 261 928	180 261 928
<b>Balance at 01 July 2017 as restated*</b>	<b>905 457 328</b>	<b>905 457 328</b>
Changes in net assets		
Surplus for the year	(10 356 759)	(10 356 759)
Total changes	(10 356 759)	(10 356 759)
Opening balance as previously reported	1 072 346 742	1 072 346 742
Adjustments		
Prior year adjustments	(142 792 199)	(142 792 199)
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>929 554 543</b>	<b>929 554 543</b>
Changes in net assets		
Surplus for the year	36 861 084	36 861 084
Prior year error	37 469 731	37 469 731
Total changes	74 330 815	74 330 815
<b>Balance at 30 June 2019</b>	<b>1 003 885 358</b>	<b>1 003 885 358</b>

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Auditor General South Africa  
Mpumalanga Business Unit

\* See Note 43



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		105 861 261	115 894 126
Grants		66 365 156	146 052 984
Interest income		35 479 571	7 436 193
Property rates		37 931 238	43 630 676
		<u>245 637 226</u>	<u>313 013 979</u>
<b>Payments</b>			
Employee costs		(85 772 467)	(80 569 868)
Suppliers		(71 400 508)	(138 181 244)
Finance costs		(3 074 425)	-
		<u>(160 247 400)</u>	<u>(218 751 112)</u>
<b>Net cash flows from operating activities</b>	<b>38</b>	<b><u>85 389 826</u></b>	<b><u>94 262 867</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(59 860 537)	(42 269 545)
Proceeds from sale of property, plant and equipment	4	296 842	-
Proceeds from sale of financial assets		6 804	-
<b>Net cash flows from investing activities</b>		<b><u>(59 556 891)</u></b>	<b><u>(85 900 221)</u></b>
<b>Cash flows from financing activities</b>			
Finance lease payments		100 613	(65 336)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>47 919 574</u></b>	<b><u>8 297 310</u></b>
Cash and cash equivalents at the beginning of the year		94 669 084	86 371 774
<b>Cash and cash equivalents at the end of the year</b>	<b>13</b>	<b><u>142 588 658</u></b>	<b><u>94 669 084</u></b>



\* See Note 43

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	162 650 000	-	162 650 000	95 663 465	(66 986 535)	1
Rental of facilities and equipment	1 101 000	-	1 101 000	1 610 440	509 440	2
Agency services	-	-	-	4 257 327	4 257 327	
Fair value adjustment	-	-	-	7 583	7 583	5
Agency fees	10 750 000	-	10 750 000	-	(10 750 000)	4
Other income	-	-	-	363 589	363 589	
Transfer and subsidies	110 596 000	-	110 596 000	-	(110 596 000)	
Other income - (rollup)	2 074 000	-	2 074 000	1 279 022	(794 978)	5
Interest received - investment	31 497 000	-	31 497 000	35 479 571	3 982 571	6
Gains on disposal of assets	1 500 000	-	1 500 000	-	(1 500 000)	
<b>Total revenue from exchange transactions</b>	<b>320 168 000</b>	<b>-</b>	<b>320 168 000</b>	<b>138 660 997</b>	<b>(181 507 003)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	47 921 000	-	47 921 000	37 931 238	(9 989 762)	7
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##### Transfer revenue

Transfer and Subsidies	110 596 000	-	110 596 000	171 976 233	61 380 233	8
Fines, Penalties and Forfeits	-	-	-	199 243	199 243	9

##### Total revenue from non-exchange transactions

<b>Total revenue from non-exchange transactions</b>	<b>158 517 000</b>	<b>-</b>	<b>158 517 000</b>	<b>210 106 714</b>	<b>51 589 714</b>	
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<b>Total revenue</b>	<b>478 685 000</b>	<b>-</b>	<b>478 685 000</b>	<b>348 767 711</b>	<b>(129 917 289)</b>	
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#### Expenditure

Employee related costs	(84 656 000)	-	(84 656 000)	(85 772 467)	(1 116 467)	
Remuneration of councillors	(9 056 000)	-	(9 056 000)	(9 325 382)	(269 382)	
Depreciation and amortisation	(41 000 000)	-	(41 000 000)	(81 912 671)	(40 912 671)	10
Finance costs	-	-	-	(3 076 741)	(3 076 741)	11
Lease rentals on operating lease	-	-	-	(19 729)	(19 729)	
Debt impairment	-	-	-	(13 348 867)	(13 348 867)	12
Collection costs	-	-	-	(3 834 637)	(3 834 637)	
Bulk purchases	(59 057)	-	(59 057)	(63 669 512)	(63 610 455)	
Contracted Services	-	-	-	(25 226 359)	(25 226 359)	
General Expenses	(129 493)	-	(129 493)	(24 493 649)	(24 364 156)	
<b>Total expenditure</b>	<b>(134 900 550)</b>	<b>-</b>	<b>(134 900 550)</b>	<b>(310 680 014)</b>	<b>(175 779 464)</b>	
<b>Operating surplus</b>	<b>343 784 450</b>	<b>-</b>	<b>343 784 450</b>	<b>38 087 697</b>	<b>(305 696 753)</b>	
Fair value adjustments	-	-	-	6 804	6 804	
Actuarial gains/losses	-	-	-	(1 232 848)	(1 232 848)	
Inventories losses/write-downs	-	-	-	(569)	(569)	
	-	-	-	(1 226 613)	(1 226 613)	
<b>Surplus before taxation</b>	<b>343 784 450</b>	<b>-</b>	<b>343 784 450</b>	<b>36 861 084</b>	<b>(306 923 366)</b>	

## Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Surplus for the year from continuing operations	343 784 450	-	343 784 450	36 861 084	(306 923 366)	
Capital budget	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	343 784 450	-	343 784 450	36 861 084	(306 923 366)	

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2019 -12- 0 6  
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Mpumalanga Business Unit

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

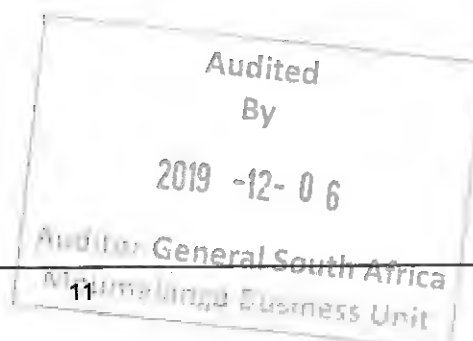
##### Trade receivables, loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value has been made by management. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors such as inflation and interest rates.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On trade receivables from exchange and non-exchange transactions, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the trade receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

The provision for doubtful debt is determined by taking into account the payment rate by exchange receivable (consumer debtor), indigent status, whether the consumer debtor has a credit balance at financial year end as well as whether the consumer debtor is government related or not.

Non-exchange receivables (Traffic fine debtors) have been impaired taking into account historical payment rates by these non-exchange receivables.

Audited  
By  
2019 -12- 0 6  
Auditor General South Africa

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Traffic fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Non exchange receivables arising from traffic fines are measured at the best estimate based on expected inflows of economic benefits to the municipality.

#### Budget information

A difference of 10% or more between budget and actual amounts is regarded as material. All material differences (between budget and actual amounts) are explained in the notes to the annual financial statements.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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### 1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Unlimited
Buildings	Straight line	30 - 50 years
Furniture and fixtures	Straight line	7 - 10 years
Motor vehicles	Straight line	5 - 10 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	3 - 10 years
Community Assets	Straight line	30 - 75 years
Electrical Infrastructure	Straight line	20 - 50 years
Roads Infrastructure	Straight line	15 - 30 years
Sanitation Infrastructure	Straight line	15 - 50 years
Water Infrastructure	Straight line	15 - 20 years
Machinery and equipment	Straight line	5 - 30 years
Specialised vehicles	Straight line	20 - 50 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts); regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.



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Auditor General South Africa  
Molwenzi Business Unit

### 1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 5 years

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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## Accounting Policies

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### 1.8 Heritage assets (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

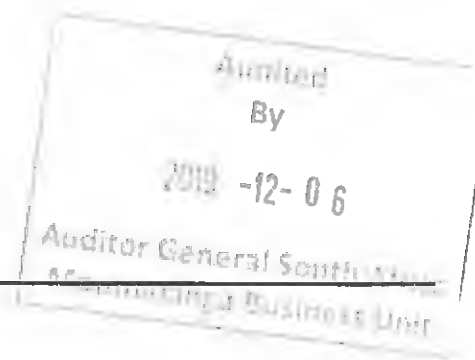
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### 1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Financial assets	Financial asset measured at fair value
Trade and other receivables	Financial asset measured at amortised cost
Other cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### 1.10 Statutory receivables

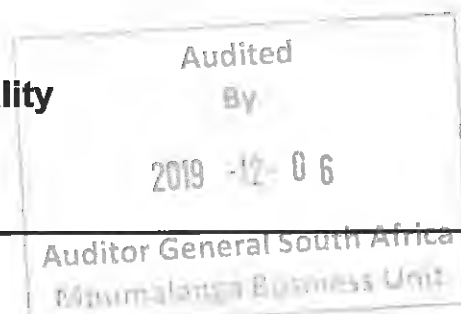
#### Identification

# Dr. Pixley Ka Isaka Seme Local Municipality

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## Accounting Policies



### 1.10 Statutory receivables (continued)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- impairment losses; and
- amounts derecognised.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

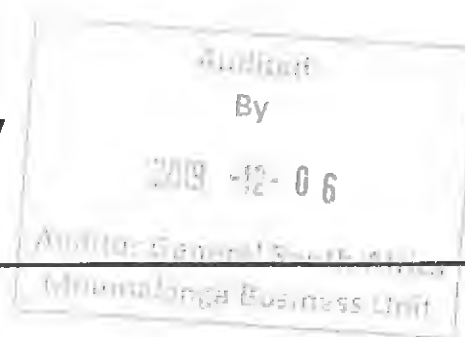
## Dr. Pixley Ka Isaka Seme Local Municipality

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### Accounting Policies

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#### 1.11 Leases (continued)

##### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

##### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### 1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

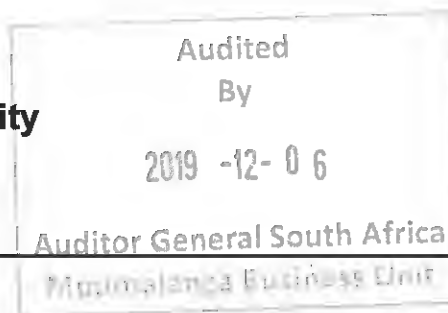
The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Dr. Pixley Ka Isaka Seme Local Municipality

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## Accounting Policies



### 1.12 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

## Dr. Pixley Ka Isaka Seme Local Municipality

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### Accounting Policies

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#### 1.13 Employee benefits (continued)

##### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

##### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

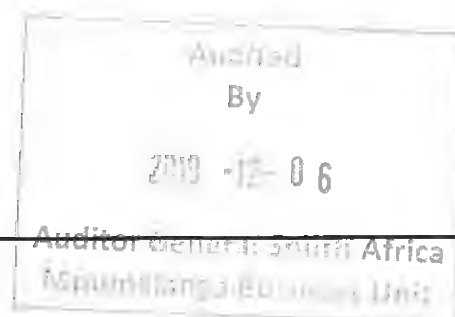
Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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## Accounting Policies



### 1.13 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;

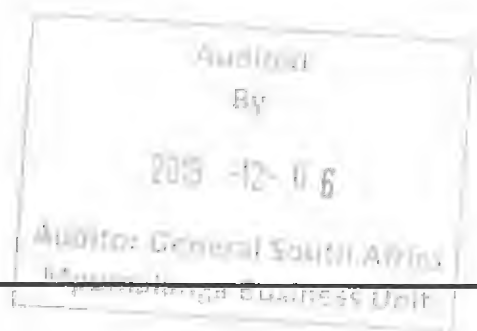


## Dr. Pixley Ka Isaka Seme Local Municipality

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### Accounting Policies



#### 1.13 Employee benefits (continued)

- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

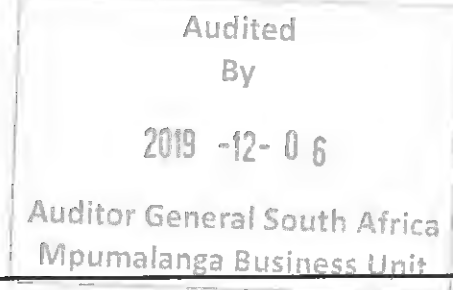
The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

## Dr. Pixley Ka Isaka Seme Local Municipality

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### Accounting Policies



#### 1.13 Employee benefits (continued)

##### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

##### Long service awards

The municipality has an obligation to provide for long term service awards to all its employees who have been in service of the municipality for a certain period of time. According to the rules of the long service allowance scheme, which the municipality institutes and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5,10,15,20,25,30,35,40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liability. Actuarial gains and losses on the long service awards are recognised in the statement of financial performance.

The amount recognised as a liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

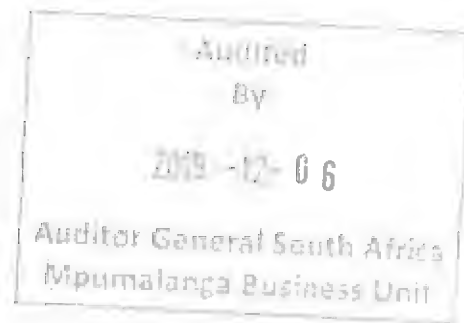
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

## Dr. Pixley Ka Isaka Seme Local Municipality

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### Accounting Policies



#### 1.13 Employee benefits (continued)

##### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

#### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

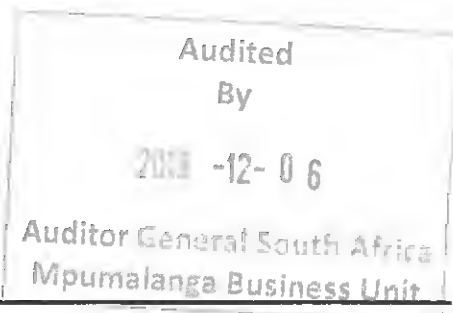
If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Dr. Pixley Ka Isaka Seme Local Municipality

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## Accounting Policies



### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

## **Dr. Pixley Ka Isaka Seme Local Municipality**

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### **Accounting Policies**



#### **1.14 Provisions and contingencies (continued)**

##### **Decommissioning, restoration and similar liability**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

#### **1.15 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

#### **1.16 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

##### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Dr. Pixley Ka Isaka Seme Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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Auditor General South Africa

Mpumalanga Business Unit

### 1.16 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

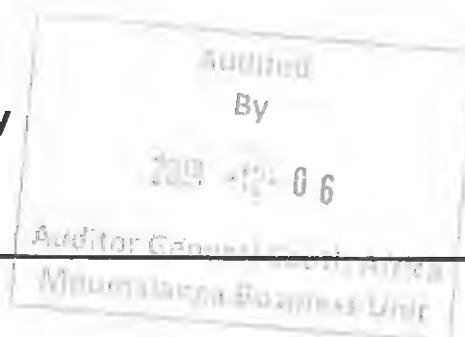
Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

# Dr. Pixley Ka Isaka Seme Local Municipality

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## Accounting Policies



### 1.17 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

#### Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

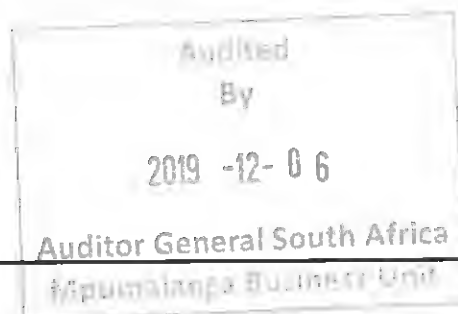
Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

# Dr. Pixley Ka Isaka Seme Local Municipality

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## Accounting Policies



### 1.17 Revenue from non-exchange transactions (continued)

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

#### Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

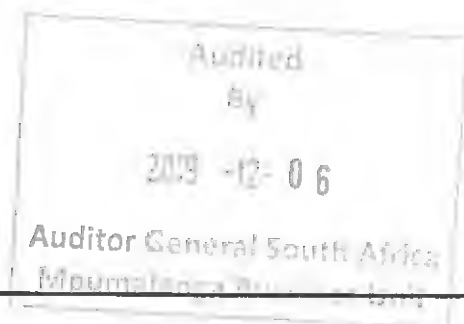


## **Dr. Pixley Ka Isaka Seme Local Municipality**

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### **Accounting Policies**



#### **1.21 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.22 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.23 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.24 Budget information**

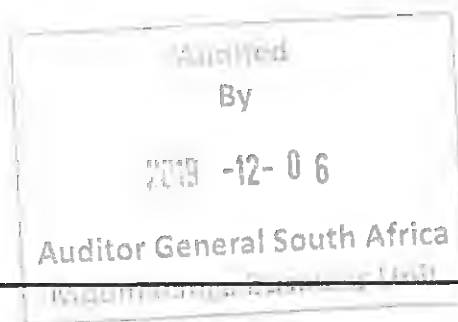
Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

## Dr. Pixley Ka Isaka Seme Local Municipality

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### Accounting Policies



#### 1.24 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2018 to 30 June 2019.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

#### 1.25 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

#### 1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

## **Dr. Pixley Ka Isaka Seme Local Municipality**

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

### **Accounting Policies**

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#### **1.26 Events after reporting date (continued)**

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)  
Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019 2018

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact of the is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the is not material.

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
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## Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

By

2019-12-06

Auditor General South Africa  
Mkhuthwa/Deputy Auditor General

### Notes to the Annual Financial Statements

#### 2. New standards and interpretations (continued)

• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Impact is currently being assessed
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

## Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)  
Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 3. Investment property

2019		2018	
Cost / Valuation	Accumulated depreciation and impairment	Cost / Valuation	Accumulated depreciation and impairment
134 156 110	(25 969 804)	108 186 306	(24 073 802)
			110 082 308

Investment property

#### Reconciliation of investment property - 2019

Investment property

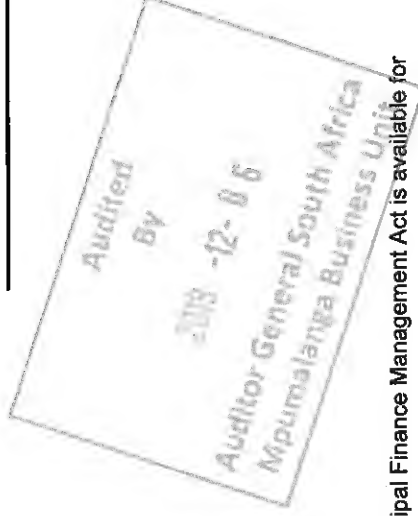
Opening balance	Depreciation	Total
110 082 308	(1 896 002)	108 186 306

#### Reconciliation of investment property - 2018

Investment property

Opening balance	Depreciation	Total
111 455 033	(1 372 725)	110 082 308

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2019		2018	
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment
Land	57 300 787	-	57 300 787	57 597 632
Housing	57 543 425	(16 994 709)	40 548 716	(13 718 080)
Solid waste infrastructure	19 938 287	(6 878 090)	13 060 197	(5 400 761)
Furniture and fixtures	2 034 954	(1 392 893)	642 061	(1 313 780)
Transport Assets	20 138 155	(7 921 220)	12 216 935	(5 926 907)
IT equipment	1 304 673	(347 374)	957 299	(258 509)
Electrical Infrastructure	144 584 779	(24 468 197)	120 116 582	(16 959 980)
Community assets	19 406 681	(7 189 746)	12 216 935	(5 155 452)
Road Infrastructure	403 207 957	(84 413 364)	318 794 593	(51 408 366)
Storm water Infrastructure	45 794 570	(12 809 828)	32 984 742	(10 249 051)
Machinery and equipment	438 390	(191 695)	246 695	(148 060)
Sanitation infrastructure	71 631 317	(24 820 385)	46 810 932	(14 876 200)
Leased Assets	320 914	(176 594)	144 320	(44 571)
Construction work in progress	24 876 893	-	24 876 893	-
Water Supply Infrastructure	293 526 988	(71 753 843)	221 773 145	(58 455 614)
<b>Total</b>	<b>1 162 048 770</b>	<b>(259 357 938)</b>	<b>902 690 832</b>	<b>(183 915 332)</b>
			<b>970 596 583</b>	<b>786 681 251</b>

Audited  
By  
2019-12-05  
Auditor General South Africa  
Accounting and Economics Unit

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	57 597 632	-	(296 842)	-	-	-	57 300 790
Housing	43 825 345	-	-	-	-	(3 276 629)	40 548 716
Solid waste infrastructure	4 735 703	-	-	-	9 801 823	(1 477 329)	13 060 197
Furniture and fixtures	888 920	-	-	-	-	(246 859)	642 061
Transport assets	14 211 248	-	-	-	-	(1 994 313)	12 216 935
IT equipment	448 778	597 385	-	-	-	(88 864)	957 299
Electrical Infrastructure	127 624 799	-	-	-	-	(7 508 217)	120 116 582
Community assets	11 215 569	2 026 535	-	-	-	(1 036 146)	12 205 958
Road Infrastructure	335 957 797	-	-	-	-	(17 163 204)	318 794 593
Storm Water Infrastructure	35 545 519	-	-	-	-	(2 560 778)	32 984 741
Machinery and Equipment	164 891	125 438	-	-	-	(43 635)	246 694
Sanitation Infrastructure	56 755 117	-	-	-	-	(9 944 185)	46 810 932
Leased assets	276 343	320 914	-	-	-	(176 594)	144 320
Construction work in progress	23 160 959	49 600 579	-	(47 884 645)	-	-	24 876 893
Water Supply Infrastructure	235 071 374	-	-	-	-	(13 298 229)	221 773 145
	<b>947 479 994</b>	<b>52 670 851</b>	<b>(296 842)</b>	<b>(47 884 645)</b>	<b>9 801 823</b>	<b>(58 814 982)</b>	<b>902 679 856</b>



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	57 597 632	-	-	-	-	57 597 632
Buildings	51 748 416	-	-	-	-	48 960 557
Solid waste infrastructure	5 522 812	200 131	-	-	(2 787 859)	4 735 704
Furniture and fixtures	677 682	423 700	-	-	(987 239)	888 920
Transport assets	12 314 265	3 557 683	-	-	(212 462)	14 211 248
IT equipment	847 238	56 215	(337 690)	-	(1 660 700)	448 778
Electrical infrastructure	115 749 616	-	-	1 442 943	(7 830 458)	109 362 101
Community assets	12 224 694	-	-	-	(1 009 125)	11 215 569
Road infrastructure	335 957 797	-	-	-	(17 120 577)	318 837 220
Stormwater infrastructure	38 106 296	-	-	-	(2 560 777)	35 545 519
Sanitation Infrastructure	42 030 777	-	-	24 344 882	(9 620 542)	56 755 117
Leased assets	-	320 914	-	-	(44 571)	276 343
Construction work in progress	23 212 586	39 807 956	-	(39 859 583)	-	23 160 959
Water supply infrastructure	246 266 052	-	-	2 024 730	(13 219 408)	235 071 374
	<b>942 255 863</b>	<b>49 059 915</b>	<b>(808 188)</b>	<b>(12 047 028)</b>	<b>(57 170 703)</b>	<b>917 067 041</b>

#### Depreciation rates

Land	Indefinite
Buildings	Straight line
Furniture and fixtures	Straight line
Motor vehicles	Straight line
Office equipment	Straight line
IT equipment	Straight line
Community	Straight line
Machinery and equipment	Straight line
Electrical infrastructure	Straight line
Roads infrastructure	Straight line
Sanitation infrastructure	Straight line
Water infrastructure	Straight line

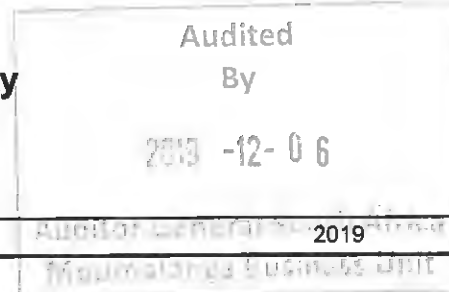
# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand



### 4. Property, plant and equipment (continued)

Specialised vehicles	Straight line	20 - 50 years
Specialised vehicles	Straight line	20 Years
Leased Assets	Straight line	2 - 5 Years

### Property, plant and equipment in the process of being constructed or developed

### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Sanitation Infrastructure	8 588 386	1 782 635
Buildings	27 335 595	17 740 539
Leasehold property	3 637 782	3 637 782
	<b>39 561 763</b>	<b>23 160 956</b>

### Reconciliation of Work-in-Progress 2019

	Included within	Total
	Infrastructure	
Opening balance	23 160 956	23 160 956
Additions/capital expenditure	5 353 715	5 353 715
Transferred to completed items	(5 353 715)	(5 353 715)
	<b>23 160 956</b>	<b>23 160 956</b>

### Reconciliation of Work-in-Progress 2018

	Included within	Total
	Infrastructure	
Opening balance	23 212 585	23 212 585
Additions/capital expenditure	39 807 956	39 807 956
Transferred to completed items	(39 859 584)	(39 859 584)
	<b>23 160 957</b>	<b>23 160 957</b>

### Expenditure incurred to repair and maintain property, plant and equipment

### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Repairs and maintenance	-	9 942 714
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 5. Intangible assets

	2019	2018	
Cost / Valuation	Accumulated amortisation and accumulated impairment	Cost / Valuation	Accumulated Carrying value amortisation and accumulated impairment
Computer software, other	1 728 146 (1 728 145)	1	-

### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Total
Computer software, other	-	1	1



## Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand

#### 6. Heritage assets

2019		2018	
Cost / Valuation	Accumulated Impairment losses	Cost / Valuation	Accumulated Impairment losses
3 485 999	-	3 485 999	-

Monuments: Culturally significant buildings

#### Reconciliation of heritage assets 2019

Art Collections, antiquities and exhibits

#### Reconciliation of heritage assets 2018

Art Collections, antiquities and exhibits

Opening balance	Total
3 485 999	3 485 999

Opening balance	Total
3 485 999	3 485 999



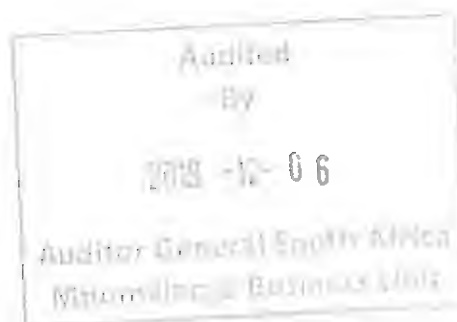
## Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

### Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>7. Financial assets</b>		
<b>Designated at fair value</b>		
Unit trusts	741 057	741 057
The valuation of the shares is based on the fair value of the unit price and number of shares obtained as at 30 June 2018. The number of shares held with Old Mutual is 40,026.37 at a value of R1,851.4225 per share.		
<b>Non-current assets</b>		
Designated at fair value	741 057	741 057
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Old Mutual Unit Trust	741 057	741 057
The valuation of the shares is based on the fair value of the unit price and number of shares obtained as at 30 June 2019. The number of shares held with Old Mutual is 40,026.37 at a value of R1,851.4225 per share.		



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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### 8. Employee benefit obligations

#### Defined benefit plan

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

#### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired member of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method. The liability for in-service members is accrued over their expected working lifetimes. The expected remaining working-lifetime of eligible employees is 18.1 years.

At the valuation date of 30 June 2019, membership of health care arrangements entitled to a post-employment medical aid subsidy was 129 in-service members (employees) and 22 continuation members (retirees and widows).

#### Post retirement gratuity plan

The municipality has an obligation in respect of the entitlement of employees to long service awards (LSA). The LSA is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

There are 252 employees that are currently entitled to Long Service Awards. The expected remaining working-lifetime of eligible employees is 18.2 years.

The Municipality offers employees LSA for every five years of service completed, to 45 years of service, inclusive.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(20 507 359)	(20 323 788)
Present value of the long service award benefit	(1 918 127)	(4 108 031)
Increase in defined benefit obligation	(744 839)	(183 571)
Increase in long service award obligation	(4 907 785)	(117 267)
	<b>(28 078 110)</b>	<b>(24 732 657)</b>
Non-current liabilities	(26 393 243)	(23 456 360)
Current liabilities	(1 684 867)	(1 276 297)
	<b>(28 078 110)</b>	<b>(24 732 657)</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(20 507 359)	(20 323 788)
Service cost	(744 839)	(767 558)
Interest cost	(1 918 127)	(1 929 185)
Benefits paid	821 116	730 751
Actuarial gain	(866 878)	1 782 421
Net expense recognised in the statement of financial performance	(1 611 697)	-
	<b>(24 827 784)</b>	<b>(20 507 359)</b>

#### Net expense recognised in the statement of financial performance

Current service cost - Defined benefit plan	(744 839)	(765 558)
Past service cost - long service award	(382 130)	(361 616)

# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Employee benefit obligations (continued)

	2019	2018
Interest cost - defined benefit plan	(1 918 127)	(1 929 185)
Interest cost long service award	(343 806)	(321 154)
Actuarial gain - defined benefit plan	866 878	1 782 421
Actuarial loss - long service award	(365 970)	(43 341)
Benefit paid - defined benefit plan	821 116	730 751
Benefit vesting - long service award	455 181	608 844
	<b>(1 611 697)</b>	<b>(298 838)</b>

### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	866 878	1 782 421
Actuarial (gains) losses – Plan assets	(365 970)	(43 341)
	<b>500 908</b>	<b>1 739 080</b>

### Changes in the fair value of Long service award obligation are as follows:

Opening balance	(4 225 298)	(4 108 031)
current service cost	(382 130)	(361 616)
Interest cost	(343 806)	(321 154)
Expected benefits vesting	455 181	608 844
Actuarial loss	(365 970)	(43 341)
	<b>(4 862 023)</b>	<b>(4 225 298)</b>

The municipality expects to contribute 840 471 (2018: 821 116) to its defined benefit plans in the following financial year (expected medical aid contributions).

### Key assumptions used

Assumptions used at the reporting date:

Discount rate (D) - Defined benefit plan	9.38 %	9.54 %
Discount rate (D) - Long Service awards	8.11 %	8.59 %
General salary inflation (long term)	5.51 %	6.84 %
Health cost inflation	6.84 %	7.34 %
Net discount rate (health care cost)	2.38 %	2.05 %
Net effective discount rate (long service award)	2.46 %	2.25 %

### DEFINED BENEFIT PLAN

#### - Explanation of assumptions used

Two of the most important financial variables used in the GRAP 25 valuation is the net discount rate and the medical inflation rate.

The medical inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. South Africa has experienced significant increases in health care cost inflation in recent years.

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires financial assumptions be based on market expectations at the valuation date for the period which the obligations are to be settled.

#### Discount rate.

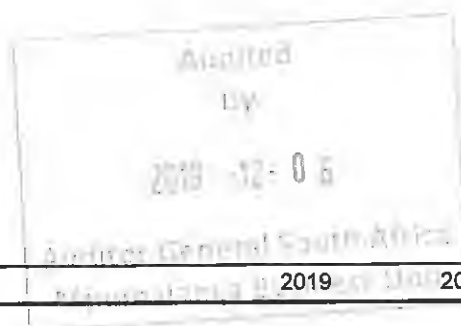
# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand



### 8. Employee benefit obligations (continued)

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields with the estimated term of the post employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current rates along the yield curve.

Consequently, a discount rate of 9.38% per annum has been used. The corresponding index-linked yield at this term is 3.02%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2018.

#### Health Care Cost Inflation Rate

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs. Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 6.84% has been assumed. This is 1.5% in excess of expected CPI inflation over the expected term of the liability, namely 5.34%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.38% which derives from  $((1 + 9.38\%)/(1 + 3.36\%)) - 1$ .

The next contribution increase was assumed to occur with effect from 1 January 2020

#### Maximum Subsidy Inflation Rate

It has been assumed that the next salary increase will take place on 1 July 2020.

This assumption is required to reflect estimated future changes in the maximum amount to which subsidies are limited.

This maximum amount is set at R4,492.35 for the year ending 30 June 2019.

The future salary inflation assumption of 6.34%, was set to be 1% above expected CPI inflation. Thus, a maximum subsidy inflation assumption of 4.76% was assumed.

### LONG SERVICE AWARDS

d

#### Discount rate

As stipulated above, GRAP 25 requires that the discount rate used should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. Consequently, a discount rate of 8.11% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.11% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.97%.

These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018. The liability-weighted average term of the total liability is 6.74 years.

#### Salary inflation rate

This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

A general salary inflation rate of 6.20% per annum over the expected term of the liability has been assumed, which is 1% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.25%.

It has been assumed that the next salary increase will take place on 1 July 2019.

#### Average retirement age

The normal retirement age is 65. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health, early and late retirement.



# Dr. Pixley Ka Isaka Seme Local Municipality

(Registration number MP304)

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 9. Inventories

Consumable stores	1 465 838	698 456
Water for distribution	198 605	97 802
	<b>1 664 443</b>	<b>796 258</b>

Carrying value of inventories carried at fair value less costs to sell 1 664 443 796 258

Inventories recognised as an expense during the year 1 001 494 1 483 465

### 10. Receivables from exchange transactions

Debtors for sale of stands	20 517	1 208 554
Sundry receivables	-	2 043 530
Electricity	3 711 883	787 728
Water	2 100 440	56 504
Waste water	(16 404 262)	1 109 950
Refuse	31 698 152	415 043
Merchandising, Jobbing and contracts	562 043	45 012 941
	<b>21 688 773</b>	<b>50 634 250</b>

The debtor for sale of stands receivable represents proceeds owing from purchasers for property owned by the municipality that has been sold.

### 11. Receivables from non-exchange transactions

Fines	194 758	194 758
Insurance claims	-	3 150
Consumer debtors - Rates	15 472 025	28 270 237
	<b>15 666 783</b>	<b>28 468 145</b>

### 12. Receivables from exchange and non-exchange transactions

#### Gross balances

Rates	79 344 440	69 720 397
Electricity	28 265 845	22 391 866
Water	106 042 280	90 820 121
Waste water	57 736 720	45 833 828
Refuse	31 637 153	24 721 691
Merchandising, jobbing and contracts	237 363 230	211 587 479
	<b>540 389 668</b>	<b>465 075 382</b>

#### Less: Allowance for impairment

Rates	(69 234 256)	(41 450 160)
Electricity	(24 553 962)	(21 604 138)
Water	(95 724 238)	(90 763 617)
Waste water	(51 293 450)	(44 723 878)
Refuse	(27 942 742)	(24 306 648)
Merchandising, jobbing and contracts	(207 956 974)	(166 574 539)
	<b>(476 705 622)</b>	<b>(389 422 980)</b>

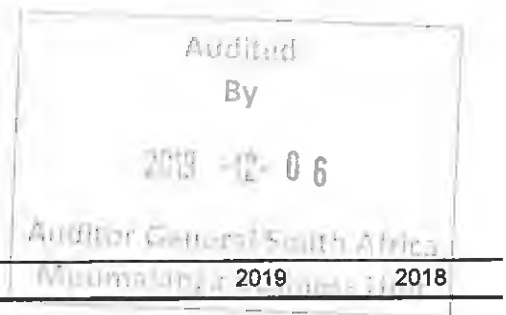
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 12. Receivables from exchange and non-exchange transactions (continued)

#### Net balance

Rates	10 110 183	28 270 237
Electricity	3 711 883	787 728
Water	10 318 042	56 504
Waste water	6 443 270	1 109 950
Refuse	3 694 411	415 043
Merchandising, jobbing and contracts	29 406 255	45 012 940
	<b>63 684 044</b>	<b>75 652 402</b>

#### Included in above is receivables from exchange transactions

Electricity	3 711 883	5 742 469
Water	10 318 043	8 810 872
Waste water	6 443 270	5 068 814
Refuse	3 694 411	3 093 922
Merchandising, jobbing and contracts	29 406 255	35 510 822
	<b>53 573 862</b>	<b>58 226 899</b>

#### Included in above is receivables from non-exchange transactions (taxes and transfers)

Rates	10 110 183	28 273 000
	<b>63 684 045</b>	<b>86 499 899</b>

#### Net balance

#### Rates

Current (0 -30 days)	1 694 117	1 936 591
31 - 60 days	1 649 806	1 427 349
61 - 90 days	1 972 927	1 319 673
91 - 120 days	1 222 543	1 218 141
121 - 180 days	1 224 768	1 069 617
> 181 days	45 917 641	62 749 026
	<b>53 681 802</b>	<b>69 720 397</b>

#### Electricity

Current (0 -30 days)	772 184	2 920 765
31 - 60 days	809 867	1 194 989
61 - 90 days	480 146	534 504
91 - 120 days	508 704	538 546
121 - 365 days	401 342	319 193
> 365 days	25 293 602	21 831 745
	<b>28 265 845</b>	<b>27 339 742</b>

#### Water

Current (0 -30 days)	1 605 645	2 128 036
31 - 60 days	1 514 958	1 612 267
61 - 90 days	1 684 867	1 388 165
91 - 120 days	1 580 972	1 646 300
121 - 365 days	1 963 378	1 441 381
> 365 days	97 692 460	91 168 426
	<b>106 042 280</b>	<b>99 384 575</b>

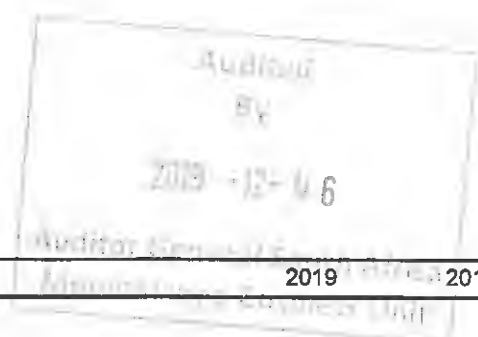
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 12. Receivables from exchange and non-exchange transactions (continued)

#### Waste water

Current (0 -30 days)	1 070 978	1 123 936
31 - 60 days	1 008 329	959 504
61 - 90 days	978 444	914 825
91 - 120 days	958 242	879 837
121 - 365 days	933 041	860 562
> 365 days	52 787 685	44 971 328
	<b>57 736 719</b>	<b>49 709 992</b>

#### Refuse

Current (0 -30 days)	618 477	673 237
31 - 60 days	579 988	550 787
61 - 90 days	560 321	522 242
91 - 120 days	544 830	497 869
121 - 365 days	528 553	485 233
> 365 days	28 804 983	24 629 558
	<b>31 637 152</b>	<b>27 358 926</b>

#### Merchandising, jobbing and contracts

Current (0 -30 days)	4 690 284	5 085 062
31 - 60 days	4 961 357	4 554 580
61 - 90 days	4 543 185	4 292 665
91 - 120 days	4 893 985	4 242 887
121 - 180 days	4 732 287	4 059 246
> 181 days	213 542 132	169 327 311
	<b>237 363 230</b>	<b>191 561 751</b>

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	130 710 693	85 097 859
Short-term deposits	11 877 965	11 877 965
	<b>142 588 658</b>	<b>96 975 824</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FIRST NATIONAL BANK - Primary Account - 5418-0010- 025	113 584 968	100 648 787	79 399 000	133 017 437	85 097 859	76 805 035
FIRST NATIONAL BANK - MIG Account - 7438-8117-704	7 991 242	7 991 242	7 991 242	7 991 242	7 991 242	7 991 242
FIRST NATIONAL BANK - Account Type - 6209-2639-875	1 498 910	1 498 910	1 498 910	1 498 910	1 498 910	1 498 910
STANDARD BANK - Account Type - 038-749-688	81 073	81 073	76 587	81 069	81 073	76 587
<b>Total</b>	<b>123 156 193</b>	<b>110 220 012</b>	<b>88 965 739</b>	<b>142 588 658</b>	<b>94 669 084</b>	<b>86 371 774</b>

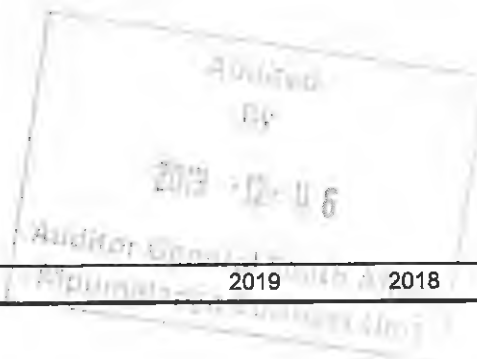
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	484 858	142 061
- in second to fifth year inclusive	282 834	224 930
	767 692	366 991
less: future finance charges	(61 830)	(80 341)
<b>Present value of minimum lease payments</b>	<b>705 862</b>	<b>286 650</b>

#### Present value of minimum lease payments due

- within one year	432 449	94 401
- in second to fifth year inclusive	273 413	192 249
	705 862	286 650

Non-current liabilities

292 255

Current liabilities

418 239

710 494

286 651

The municipality entered into a 36 month lease contract with Konica Minolta which had a commencement date of 1 February 2018. The legal nature of the lease agreement is an operating lease but substance over form prevails in the context of GRAP 13. The lease agreement meets the requirements of a finance lease and has been accounted for as such in accordance with GRAP 13.

The average lease term is three years. The prime interest rate of 10.25% was used to perform the discounting of the present value of future minimum lease payments.

The lease arrangement with Konica Minolta has fixed repayments with the last payment being made on the 1st of January 2021.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant (Schedule 5B)	9 583 369	134 427
Expanded Public works programme	(2 677 695)	-
Financial Management Grant	651 820	-
WSIG Unspent grant	786 667	-
Skills Development Grant	96 162 000	425 454
INEP Grant	(3 595 091)	-
Municipal Disaster Grant	179 026	179 026
Unspent Grant Equity	(96 438 521)	-
Unspent Grant LGFMG	85 240	-
	<b>4 736 815</b>	<b>738 907</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

The unspent portion of the municipal infrastructure grant is held in a 7 day notice ring-fenced investment with FNB until utilised.

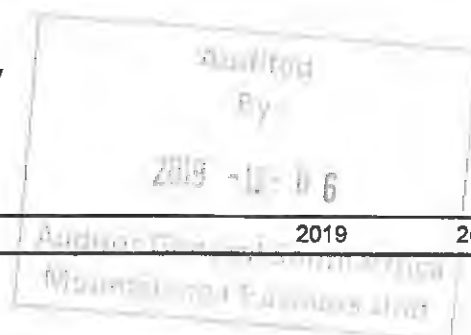
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 16. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Unwinding of discount rate	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	20 855 381	757 048	280 898	9 520 927	31 414 254

#### Reconciliation of provisions - 2018

	Opening Balance	Unwinding of discount rate	Change in discount factor	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	19 881 233	618 307	(394 057)	749 898	20 855 381
Non-current liabilities				28 385 920	20 098 331
Current liabilities				3 028 334	757 050
				31 414 254	20 855 381

#### Environmental rehabilitation provision

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The discount rate was deduced from the GOVI longbond. The annualised rate as at 30 June 2019 was 9.64% (2018: 9.9%). Consumer price inflation of 6.21% was obtained from differential between the average nominal bond of 9.72% p.a and the real bond of 3.23% p.a (zero Yield curves).

The environmental rehabilitation provision relates to four landfill sites namely Volksrust, Amersfoort, Wakkerstroom and Perdekop. For the Volksrust and Amersfoort sites, the number of years until closure is three and twelve years respectively, whilst the Wakkerstroom and Perdekop landfill sites have been closed.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

### 17. Payables from exchange transactions

Trade payables	9 461 706	11 465 833
Payments received in advanced - contract in process	11 198 415	8 120 287
Retentions	2 516 405	4 727 992
Accrued leave pay	5 172 854	4 493 219
Deposits received	(6 804)	-
Other payables	7 834 363	(460 281)
Unallocated Deposit	10 428 921	5 887 952
Department of Water Affairs - Water supply	79 793 926	-
	126 399 786	34 235 002

### 18. VAT payable

Tax payables	-	10 317 440
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# Dr. Pixley Ka Isaka Seme Local Municipality

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### 19. Consumer deposits

Electricity	1 599 792	1 961 846
Housing rental	95 395	52 790
	<b>1 695 187</b>	<b>2 014 636</b>

Consumer deposits are paid by consumers on application for new water and electricity connections. Rental deposits are paid for securing the use of rental property. The deposits are repaid for water and electricity, when the water and electricity connections are terminated and for housing rentals when the rental contract expires.

In cases where consumers default on their accounts or damage rented property, the municipality can utilise the deposit as payment for the outstanding amount and repairing damaged property respectively.

### 20. Revenue

Service charges	95 663 465	94 171 844
Rental of facilities and equipment	1 610 440	2 728 143
Agency services	4 257 327	5 490 729
Gains and Losses: Fair value adjustments	7 583	40 858
Sales of Goods and Rendering of Services	363 589	-
Operational Revenue	1 279 022	1 138 273
Interest received - investment	35 479 571	43 994 000
Property rates	37 931 238	36 513 942
Government grants & subsidies	171 976 233	145 963 402
Public contributions and donations	-	6 790 370
Fines, Penalties and Forfeits	199 243	329 364
	<b>348 767 711</b>	<b>337 160 925</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	95 663 465	94 171 844
Rental of facilities and equipment	1 610 440	2 728 143
Agency services	4 257 327	5 490 729
Gains and Losses: Fair value adjustments	7 583	40 858
Sales of Goods and Rendering of Services	363 589	-
Operational revenue	1 279 022	1 138 273
Interest received - investment	35 479 571	43 994 000
	<b>138 660 997</b>	<b>147 563 847</b>

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	37 931 238	36 513 942
Transfer revenue		
Government grants & subsidies	171 976 233	145 963 402
Public contributions and donations	-	6 790 370
Fines, Penalties and Forfeits	199 243	329 364
	<b>210 106 714</b>	<b>189 597 078</b>

### 21. Service charges

Sale of electricity	44 896 614	52 399 840
Sale of water	25 496 346	19 137 492
Solid waste	9 423 409	8 485 312
Sewerage and sanitation charges	15 847 096	14 149 200
	<b>95 663 465</b>	<b>94 171 844</b>

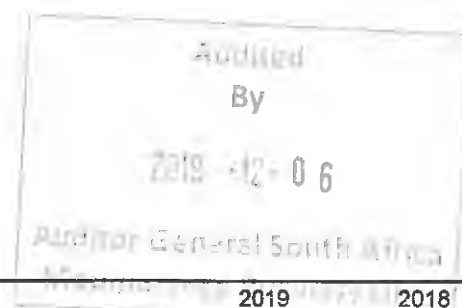
## Dr. Pixley Ka Isaka Seme Local Municipality

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#### 22. Rental of facilities and equipment

##### Premises

Premises	1 585 318	2 712 081
Venue hire	25 122	16 062
	<b>1 610 440</b>	<b>2 728 143</b>

#### 23. Fines, Penalties and Forfeits

Building Fines	100 402	216 013
Illegal Connections Fines	98 841	113 351
	<b>199 243</b>	<b>329 364</b>

#### 24. Agency services

National	4 257 327	5 490 729
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The municipality has entered into an agreement with the Mpumalanga Department of Safety, Security and Liason ("the Department"). The agreement is entered into every five years, signed within three months of the new term of office for Local Government.

In terms of the agreement the Department is responsible for registration, licensing, and testing functions in terms of applicable national and provincial road traffic legislation. In order to provide greater access to clients throughout the Province, the Department transferred specified registration, licensing and testing functions to appropriately identified agents, who process these functions for and on behalf of the Department.

As a result of the abovementioned agreement the municipality acts as an agent on behalf of the department. The agent is thus entitled to 20% (incl VAT) of the total collected fees in terms of clause 6.2 in respect of motor vehicle registration and licensing fees, as specified in the relevant schedules contained in the applicable national and provincial road traffic legislation.

#### 25. Lease rentals on operating lease

##### Plant and equipment

Contractual amounts	19 729	54 305
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#### 26. Operational Revenue

Sale of Property	1 726 160	313 000
Breakages and losses recovered	(447 640)	45 339
Insurance refund	-	358 742
Building plan approval	-	105 357
Clearance certificates	-	20 842
Cemetery and burial	-	74 245
Sale of goods: Publication tender documents	-	63 187
Merchandising, jobbing and contracts	502	157 561
	<b>1 279 022</b>	<b>1 138 273</b>

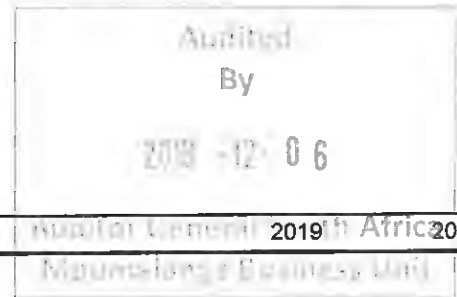
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 27. Interest, dividend and rent on land

#### Interest revenue

Bank	2 752 699	7 182 127
Interest charged on trade and other receivables	32 726 872	36 811 873
	<b>35 479 571</b>	<b>43 994 000</b>

The interest charged on trade and other receivables represents interest levied on consumer debtor accounts who are in arrear with payments due to the municipality

### 28. Property rates

#### Rates received

Residential	15 078 746	13 492 317
Commercial	667 610	6 536 377
State	10 191 922	9 456 623
Small holdings and farms	8 416 770	6 915 853
Mining Properties	2 429 886	11 256
Public Benefit Organisations	1 146 304	2 285 249
Less: Income forgone	-	(2 183 733)
	<b>37 931 238</b>	<b>36 513 942</b>

#### Valuations

Residential	4 189 970 830	4 189 970 830
Commercial	1 747 009 050	1 747 009 050
State	597 997 700	597 997 700
Municipal	454 331 300	454 331 300
Small holdings and farms	312 942 400	312 942 400
Mining purposes	96 694 000	96 694 000
Place of worship	49 997 100	49 997 100
Public Service Infrastructure	3 792 680	3 792 680
Institutional	47 402 500	47 402 500
Less: Income forgone	(622 007 004)	(622 007 004)
	<b>6 878 130 556</b>	<b>6 878 130 556</b>

The new general valuation will be implemented on 01 July 2019.



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### 29. Government grants and subsidies

#### Operating grants

Equitable share	105 295 759	96 311 830
Local Government Financial Management Grant	811 911	1 699 999
Skills Development Grant	2 304 981	1 759 000
	<b>108 412 651</b>	<b>99 770 829</b>

#### Capital grants

Municipal Infrastructure Grant	21 846 397	29 192 573
Electricity General INEP Grant	12 267 582	17 000 000
EPWP Grant	29 449 603	-
	<b>63 563 582</b>	<b>46 192 573</b>
	<b>171 976 233</b>	<b>145 963 402</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by National Treasury the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer's account, which subsidy is determined annually by council. This subsidy is funded from the grant.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	134 427	-
Current-year receipts	25 956 000	29 327 000
Conditions met - transferred to revenue	(16 507 058)	(29 192 573)
	<b>9 583 369</b>	<b>134 427</b>

Conditions still to be met - remain liabilities (see note 15).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of upgrading of poor households, micro enterprises, social institutions and to provide for the rehabilitation and upgrading of municipal infrastructure.

#### Expanded Public Works Programme

Balance unspent at beginning of year	-	15 877
Current-year receipts	1 259 000	1 759 000
Conditions met - transferred to revenue	(1 259 000)	(1 759 000)
Other	-	(15 877)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 15).

The expanded public works programme grant was allocated to the municipality for environmental projects.

#### Financial management grant

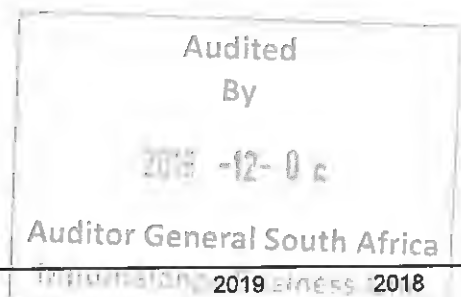
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### 29. Government grants and subsidies (continued)

Current-year receipts

1 700 000 1 700 000

Conditions met - transferred to revenue

(1 048 180) (1 700 000)

**651 820 -**

Conditions still to be met - remain liabilities (see note 15).

The financial management grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003.

### Water Services Infrastructure Grant

Current-year receipts

30 000 000 -

Conditions met - transferred to revenue

(29 213 333) -

**786 667 -**

Conditions still to be met - remain liabilities (see note 15).

The municipal systems improvement grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.

### Skills Development Grant

Balance unspent at beginning of year

425 454 320 468

Current-year receipts

96 162 000 104 986

Other

(425 454) -

**96 162 000 425 454**

Conditions still to be met - remain liabilities (see note 15).

The skills development grant has been allocated to the municipality to further develop specific skillsets of staff members within the municipality.

### Integrated national electrification programme grant

Current-year receipts

12 375 000 17 000 000

Conditions met - transferred to revenue

(15 970 091) (17 000 000)

**(3 595 091) -**

Conditions still to be met - remain liabilities (see note 15).

The integrated national electrification programme grant has been provided to the municipality for purposes of providing new households with access to electricity.

### Disaster Management Grant

Balance unspent at beginning of year

- 202 052

Conditions met - transferred to revenue

- (202 052)

**- -**

Conditions still to be met - remain liabilities (see note 15).

The disaster management grant has been provided to the municipality for purposes of reconstructing and rehabilitation of municipal infrastructure that was damaged during the March 2014 flooding. Specific projects being undertaken relates to upgrading of the community access bridge for Wakkerstroom (ward 5), re-gravelling and grading of inner roads in Volksrust as well as paving and filling of potholes in Volksrust and Perdekop.

# Dr. Pixley Ka Isaka Seme Local Municipality

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### 30. Employee related costs

Basic	55 896 517	47 903 634
Bonus	5 874 231	3 342 936
Medical aid - company contributions	-	2 986 998
UIF	-	412 688
SDL	-	604 233
Leave pay provision charge	-	1 545 516
Other short term costs	-	23 998
Defined contribution plans	13 884 410	9 219 953
Overtime payments	-	4 577 321
Car allowance	2 465 969	1 439 569
Housing benefits and allowances	1 580 475	193 576
Standby Allowance	2 500 323	151 173
Remuneration of Senior management	3 570 542	-
	<b>85 772 467</b>	<b>72 401 595</b>

### Remuneration of Municipal Manager

Annual Remuneration	244 321	773 403
Car Allowance	48 000	89 618
Contributions to UIF, Medical and Pension Funds	69 542	40 935
	<b>361 863</b>	<b>903 956</b>

Mr P Thwala was appointed as the Acting Municipal Manager from 01 July 2018 until 31 October 2018.

M M Phehla was appointed as the Acting Municipal Manager from 05 November 2018 until 01 March 2019.

Mr LB Tshabalala was appointed as a Municipal Manager from 04 March 2019.

### Remuneration of Chief Finance Officer

Annual Remuneration	693 781	546 411
Car Allowance	84 000	77 000
Contributions to UIF, Medical and Pension Funds	192 023	99 144
Telephone allowance	18 000	-
Undefined Difference	(77 932)	-
	<b>909 872</b>	<b>722 555</b>

### Remuneration of Acting Director: Community services

Acting Allowance	98 252	-
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Mr S Ngwenya was acting as Director: Community Services from 01 July 2018 to 30 April 2019.

### Remuneration of Acting Municipal Manager

Annual Remuneration	436 102	-
Contributions to UIF, Medical and Pension Funds	15 100	-
	<b>451 202</b>	<b>-</b>

Mr P Thwala was appointed as the Acting Municipal Manager from 01 July 2018 until 31 October 2018.

M M Phehla was appointed as the Acting Municipal Manager from 05 November 2018 until 01 March 2019

### Remuneration of Acting technical director

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### 30. Employee related costs (continued)

Acting allowance	16 950	-
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S Shikwambana was appointed as the Acting technical manager from 01 July 2018 until 31 August 2018.

#### Senior Management: Corporate Services Director: Salary and Allowances

Annual Remuneration	571 854	536 404
Car Allowance	132 000	121 000
Contributions to UIF, Medical and Pension Funds	188 020	96 433
Telephone allowance	18 000	-
	<b>909 874</b>	<b>753 837</b>

#### Senior Management: Director Technical services - Salaries and Allowances

Annual Remuneration	594 642	-
Travelling Allowance	120 000	-
Contributions to UIF, Medical and Pension Funds	43 586	-
	<b>758 228</b>	<b>-</b>

NFT Buthelezi was appointed as a Director: Technical Services from 03 September 2018.

S Shikwambana was appointed as Acting Director: Technical Services from 01 July 2018 to 31 August 2018

### 31. Remuneration of councillors

Executive Mayor	872 149	840 313
Mayoral Committee	1 330 426	-
Chief Whip	952 836	1 796 585
Speaker	798 832	681 128
Councillors	5 371 139	5 040 170
	<b>9 325 382</b>	<b>8 358 196</b>

#### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The remuneration of councillors is based on Government Gazette 42134, dated 21 December 2018 and is within the upper limits of salaries, allowances and benefits as determined by SALGA..

### 32. Depreciation and amortisation

Property, plant and equipment	80 016 670	41 684 431
Investment property	1 896 001	-
	<b>81 912 671</b>	<b>41 684 431</b>

### 33. Finance costs

Trade and other payables	2 320	4 388
Finance leases	53 121	24 929
GRAP 25 Interest cost on medical aid and long service awards	2 261 933	2 926 379
GRAP 19 Interest on landfill rehabilitation provision	757 051	618 307
	<b>3 074 425</b>	<b>3 574 003</b>

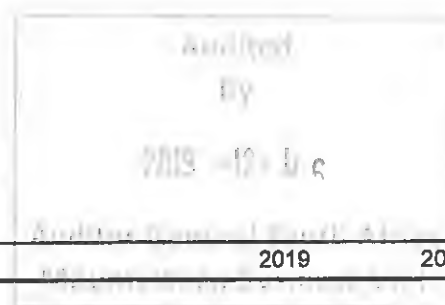
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 34. Debt impairment

Debt impairment	13 348 867	98 581 244
-----------------	------------	------------

### 35. Bulk purchases

Electricity - Eskom	45 868 123	48 189 004
Water	17 801 389	17 504 124
	<b>63 669 512</b>	<b>65 693 128</b>

Total water purified for the year ending 30 June 2019 was 5,178,222KL. The total KL billed for year ending 30 June 2019 was 2,013,154KL which thus led to a distribution loss of 3,165,068KL. Expressed as a percentage the non revenue water distribution loss for year ending 30 June 2018 amounted to 61%

The electricity distribution loss for the current year was calculated by subtracting the total electricity KWH billed (conventional and prepaid) from the total bulk purchases of KWH from Eskom. The loss in KWH was then divided by the total KWH purchased. In the prior year the loss was significantly reduced as numerous illegal connections were discovered and disconnected.

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers.

Electricity is purchased in bulk on a monthly basis from Eskom.

Water is purchased from the Department of water and sanitation in addition to natural water resources being used from local dams.

### Electricity losses (units)

Units purchased	-	5 178 222	-
Units sold	-	(2 013 154)	-
<b>Total loss</b>	-	<b>3 165 068</b>	-

### 36. Contracted services

#### Presented previously

Information Technology Services	400 000	12 305 344
Operating Leases	14 425 594	12 124 731
Specialist Services	575 268	4 309 817

#### Outsourced Services

Security Services	2 749 163	-
-------------------	-----------	---

#### Consultants and Professional Services

Business and Advisory	1 743 082	-
Laboratory Services	3 466 950	-
Legal Cost	1 866 302	-
	<b>25 226 359</b>	<b>28 739 892</b>

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### 37. General expenses

Advertising	549 572	493 972
Auditors remuneration	5 373 778	4 772 813
Bank charges	384 275	406 854
Commission paid	293 059	2 234 348
Entertainment	114 565	1 001 033
Insurance	1 576 902	3 041 063
IT expenses	7 217 856	986 733
Magazines, books and periodicals	780 707	350 572
Motor vehicle expenses	3 754	-
Fuel and oil	-	4 249 489
Printing and stationery	-	915 071
Protective clothing	1 239 129	1 320 042
Subscriptions and membership fees	1 038 285	1 001 342
Communications	1 400 104	1 171 380
Transport and freight	85 056	91 375
Travel - local	1 438 106	1 059 857
Refuse	-	57 643
Assets expensed	-	255 728
Workmen's compensation fund	404 866	-
Skills development levy	707 875	-
Deeds Search	135 965	-
Seminars and conferences	493 942	-
Bursaries	24 853	-
Remuneration to Ward Committees	1 231 000	1 258 000
	<b>24 493 649</b>	<b>24 667 315</b>

### 38. Cash generated from operations

Surplus (deficit)	36 861 084	(10 356 759)
<b>Adjustments for:</b>		
Depreciation and amortisation	81 912 671	40 697 192
Gain on sale of assets and liabilities	-	808 187
Fair value adjustments	-	-
Impairment deficit	-	987 239
Debt impairment	13 348 867	98 581 244
Movements in retirement benefit assets and liabilities	3 345 453	300 838
Annual charge for deferred tax	-	43 739 933
Movements in employee benefit plan	(3 345 453)	(685 931)
<b>Changes in working capital:</b>		
Inventories	(868 185)	1 898 687
Receivables from exchange transactions	(5 606 417)	(2 043 530)
Consumer debtors	-	(83 952 233)
Other receivables from non-exchange transactions	12 801 362	(33 144)
Payables from exchange transactions	(107 887 311)	(1 887 488)
VAT	51 149 296	5 743 187
Unspent conditional grants and receipts	3 997 908	89 582
Consumer deposits	(319 449)	350 934
Consumer deposits	-	24 929
	<b>85 389 826</b>	<b>94 262 867</b>

### 39. Financial instruments disclosure

#### Categories of financial instruments

2019

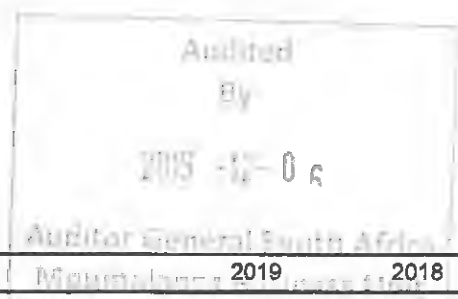
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 39. Financial instruments disclosure (continued)

#### Financial assets

	At fair value	At amortised cost	Total
Other Financial assets (Old Mutual Investment)	741 057	-	741 057
Trade and other receivables from exchange transactions	-	382 171 643	382 171 643
Other receivables from non-exchange transactions	-	53 520 968	53 520 968
Cash and cash equivalents	142 588 658	-	142 588 658
	<b>143 329 715</b>	<b>435 692 611</b>	<b>579 022 326</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	206 883 369	206 883 369
Consumer deposits	1 695 187	1 695 187
	<b>208 578 556</b>	<b>208 578 556</b>

### 2018

#### Financial assets

	At fair value	At amortised cost	Total
Other Financial assets (Old Mutual Investment)	741 057	-	741 057
Trade and other receivables from exchange transactions	-	2 886 786	2 886 786
Other receivables from non-exchange transactions	-	194 908	194 908
Consumer debtors	-	86 499 899	86 499 899
Cash and cash equivalents	94 669 084	-	94 669 084
	<b>95 410 141</b>	<b>89 581 593</b>	<b>184 991 734</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	3 655 345	3 655 345
Consumer deposits	2 014 636	2 014 636
	<b>5 669 981</b>	<b>5 669 981</b>

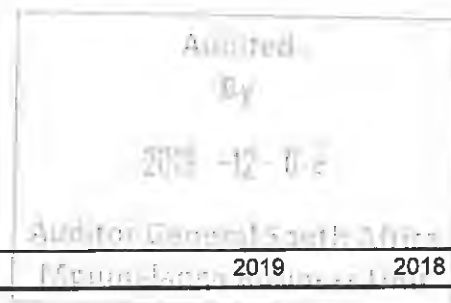
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 40. Commitments

#### Authorised operational expenditure

##### Already contracted for but not provided for

• Property plant and equipment	105 714 014	18 464 947
--------------------------------	-------------	------------

##### Total operational commitments

Already contracted for but not provided for	105 714 014	18 464 947
---	-------------	------------

##### Total commitments

##### Total commitments

Authorised capital expenditure	105 714 014	13 074 817
Authorised operational expenditure	5 213 522	18 464 947
	<b>110 927 536</b>	<b>31 539 764</b>

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	484 858	142 061
- in second to fifth year inclusive	282 834	224 930
	<b>767 692</b>	<b>366 991</b>

Operating lease payments represent rentals payable by the municipality for 12 of its office photocopiers starting on 1 February 2018. Monthly payments are as follows, 7 copiers at R 235.96 each, 3 copiers at R 1 150.86 and 2 copiers at R 3 367.07 per month excluding VAT. Konica Minolta is the lessor. No contingent rent is payable.

### 41. Contingencies

#### Contingent liabilities

**Human Broers and the Municipality:** Claim for non-payment for the services provided of R73 071.95 case number: 904/2002.

**Gabriel Du Toit:** Gabriel Michael Du Toit alleges that a municipal employee negligently caused an accident. The matter is awaiting a court date. As at 30 June 2019 and 30 June 2018 the contingent liability amount owing was assessed as R29,190.

There is no reimbursement from any third parties for potential obligations of the municipality.

**Mostert claim:** Mr Mostert alleges to have been injured after falling into an open manhole. The contingent liability amounts to R75,000 as at 30 June 2019 and 30 June 2018 financial years.

**Ulwazi Protection Services:** The invoice for Ulwazi Protection Services is contested by the Municipality on the basis of the hours submitted and the total amount owing. The Municipality believes the probability of paying the exact amount is remote and that if the amount is paid, it will be at a reduced amount. As at 30 June 2018 and 30 June 2017 the contingent liability amount owing was assessed as R90,997

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

**Berry Roberts:** Alleges the Municipal employee negligently caused an accident, claim for R56 200 case 235/10.

**Alida Magdalena De Beer:** Alleges that the Municipal employee negligently caused an accident, claim of R32 558.69 case 65/18.

**Nicolas Solidato:** Alleges an accident happening with jurisdiction of the Municipality.



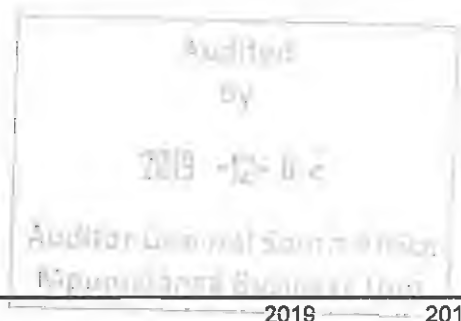
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 42. Related parties

#### Relationships

Accounting Officer

Members of key management

Refer to accounting officer's report note

Disclosed in note 30

LB Tshabalala (Municipal Manager)

SB Tshabalala

MM Phehla (CFO)

NFT Buthelezi

Councillors

Refer to note 35 and 46

### 43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Investment property		108 105 588	1 976 720	-	110 082 308
Trade services and consumer service debtors		75 052 402	-	(75 052 402)	-
Receivables from exchange transactions		3 252 084	-	47 382 165	50 634 249
Receivables from non-exchange transactions		-	-	28 270 237	28 270 237
Buildings		51 748 420	-	(4 646 446)	-
MV Networks		40 440 547	-	11 427 454	-
MV & Substations		7 502 018	-	2 724 183	-
Community Assets		23 493 865	-	(11 269 171)	-
Road Infrastructure		148 741 742	-	203 057 848	-
LV Networks		42 613 164	-	11 501 729	-
HV Transmission Conductors		1 208 592	-	(1 208 592)	-
Stormwater Infrastructure		19 622 374	-	18 483 922	-
Reservoirs		9 228 569	-	(3 535 986)	-
Sanitation Infrastructure		25 516 315	-	16 514 462	-
Water bulk mains		75 202 069	-	10 438 451	-
Water treatment works		52 929 692	-	99 933 680	-
Water distribution		1 452 920	-	616 657	-
Accumulated surplus		-	371 447 788	-	-
		<b>686 710 361</b>	<b>373 424 508</b>	<b>354 038 191</b>	<b>188 986 794</b>

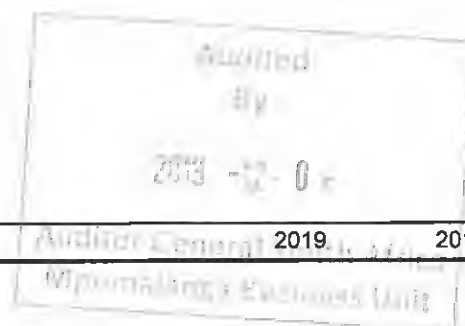
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 43. Prior-year adjustments (continued)

#### 2019

	Note	As previously reported	Re-classification	Restated
Financial asset - Increase in non-current asset	7	-	741 057	741 057
Financial asset - decrease in current asset	7	741 057	(741 057)	-
Provision for water supply - Non-current liability	17	(152 409 442)	152 409 442	-
Payables from exchange transactions	17	-	(152 409 442)	(152 409 442)
MV Networks to Electrical Infrastructure		38 513 648	(38 513 648)	-
LV Networks to electrical Infrastructure		41 894 456	(41 894 456)	-
MV and Substation to Electrical Infrastructure		21 801 933	(21 801 933)	-
Electrical infrastructure		-	102 210 037	-
Reservoir to Water Supply infrastructure		8 929 352	(8 929 352)	-
Water Bulk mains to Water Supply Infrastructure		68 837 416	(68 837 416)	-
Water treatment works to Water Supply Infrastructure		46 675 276	(46 675 276)	-
Water distribution to Water Supply Infrastructure		5 334 784	(5 334 784)	-
Water Supply Infrastructure		-	(129 776 828)	-
		<b>80 318 480</b>	<b>(259 553 656)</b>	<b>(151 668 385)</b>

### Statement of financial performance

#### 2018

	Note	Correction of error
Depreciation - investment property		(1 976 720)

### Errors

During the year under review, we identified a prior year error relating to property, plant and equipment. We noted that incorrect values were used when applying the deemed costs processes to establish assets take-on values upon adoption of GRAP 17, back in 2014. The effect of the prior year error on the Annual Financial Statements is as follows;

### Investment properties

Useful lifespan of investment properties has been incorrectly calculated, the carrying value of investment property in 2017 prior year has been restated to correct errors..

### Irregular expenditure

Opening balance	2 641 056	-
Adjustments made	1 107 588	-
<b>Restated opening balance</b>	<b>3 748 644</b>	<b>-</b>

Adjustment made to opening balance of irregular expenditure is due to an omission of irregular expenditure made to African Meter Reading in the 30 June 2018 financial statements, as it was subsequently noted that the suppliers contract expired On 31 July 2017 but was not disclosed during 2017/2018 year.

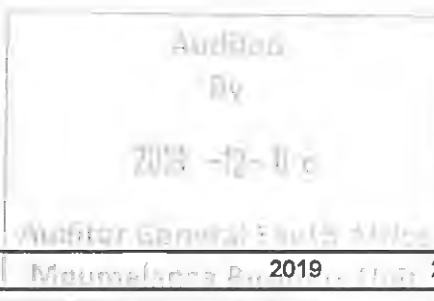
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### 43. Prior-year adjustments (continued)

#### Reclassifications

The municipality upgraded from mSCOA 6.1 to 6.2 version and these resulted in changes in the manner in which transactions are classified. Certain Property, plant and equipment were reclassified as per above to comply with mSCOA

The following reclassifications adjustment occurred:

#### Reclassification of assets

Trading services and consumer services debtors are reclassified to Receivables from exchange transactions in order to comply with GRAP 108.

Financial asset is been reclassified from current liabilities to Non-current assets in the current year as it is held for more than the next 12 months.

#### Reclassification of provision for water supply

Provision for water supply is reclassified from provision to trade payables. The amount owing was recognised as a provision under GRAP 19 in the prior year and not a payable from exchange transaction as per GRAP 10 as the municipality was disputing the amount owing which resulted in uncertainty regarding the amount owing to the Department. The dispute has been settled and the amount owing has been reclassified to a liability in the current year as there is certainty regarding the amount owing.

### 44. Fruitless and wasteful expenditure

Opening balance as previously reported	2 251	229
<b>Opening balance as restated</b>	<b>2 251</b>	<b>229</b>
Add: Irregular Expenditure - prior period	5 556	2 022
<b>Closing balance</b>	<b>7 807</b>	<b>2 251</b>

Fruitless expenditure of R1 027 relates to interest charged on Eskom invoices for the late payments.

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings
Penalties on late registration of motor vehicle licences	None
Interest charged on Eskom	None
Nashua Highveld interest	
Interest charged on Telkom late payment	

### 45. Irregular expenditure

Opening balance as previously reported	3 748 644	8 739 570
Add: Incurred in the prior year and identified in the current year	-	3 748 644
<b>Opening balance as restated</b>	<b>3 748 644</b>	<b>12 488 214</b>
Add: Irregular Expenditure - current	2 616 427	(8 739 570)
<b>Closing balance</b>	<b>6 365 071</b>	<b>3 748 644</b>

# Dr. Pixley Ka Isaka Seme Local Municipality

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### 45. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

#### Disciplinary steps taken/criminal proceedings

African Meter Reading (Pty) Ltd - Provision and Management of water and electricity meter reading services.	None	1 263 173	1 107 588
PK Financial Consultants - Appointment of a service provider to perform VAT review, contract expired 31 December 2018 this relates to payments for the month of February 2019 for work done in January 2019	None	247 759	-
Contour Technology (Pty) Ltd - Provision and management of the electricity pre-paid vending system, The Contract Expired 31 May 2018	None	1 105 495	-
		<b>2 616 427</b>	<b>1 107 588</b>

### 46. Additional disclosure in terms of Municipal Finance Management Act

#### Material losses

Water material losses expressed as a percentage %  
Electricity material losses expressed as a percentage %

61	29
6	38
<b>67</b>	<b>67</b>

#### Audit fees

Current year subscription / fee  
Amount paid - current year

5 373 778	4 772 813
(5 373 778)	(4 772 813)
<b>-</b>	<b>-</b>



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**46. Additional disclosure in terms of Municipal Finance Management Act (continued)****PAYE and UIF**

Current year amount	10 439 480	10 172 727
Amount paid - current year	(10 439 480)	(10 172 727)
	-	-

**Pension and Medical Aid Deductions**

Current year subscription / fee	10 439 480	19 776 534
Amount paid - current year	(10 439 480)	(19 776 534)
	-	-

**VAT**

VAT receivable	207 152	-
VAT payable	-	10 317 440
	207 152	10 317 440

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor BG Mavuso	8 432	-	8 432
Councillor GO Ngwenya	15 809	-	15 809
Councillor NLP Moloi	6 512	-	6 512
Councillor XI Simelane	3 068	-	3 068
Councillor BS Mavuso	146 362	-	146 362
Councillor FE Mahlaba	4 650	-	4 650
	184 833	-	184 833

**30 June 2018**

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor Masondo TS	365 287	-	365 287
Councillor Mavuso BG	4 304	-	4 304
Councillor Mavuso BS	112 666	-	112 666
Councillor Moloi NLP	3 280	-	3 280
Councillor Ngwenya GO	171 655	-	171 655
Councillor Nkomo LM	81 004	-	81 004
Councillor Simelane XI	2 636	-	2 636
Councillor Vilakazi V	96 189	-	96 189
	837 021	-	837 021

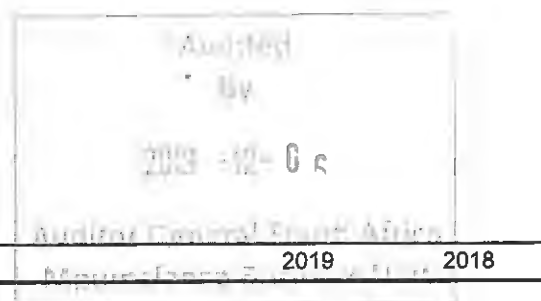
# Dr. Pixley Ka Isaka Seme Local Municipality

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### 46. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

<b>Incident</b>		
Emergency	248 793	3 571 561
Impracticable	-	149 480
	<b>248 793</b>	<b>3 721 041</b>

### 47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

25/09/2018	Aza Emihle Tradi R	101 300.00	The deviation was as a result of an emergency	Electricity Fault finding and repairs at Vukuzakhe on the 08 August 2018	Infrastructure Services Department
31/01/2019	Kantech Services R	147 492.80	The reason for the deviation was as a result of an emergency and it was impossible and impractical to follow the normal supply chain processes.	Completion of the Rand Water Project for the Mahawane Bulk Line	Infrastructure Services Department

### 48. Budget differences

#### Material differences between budget and actual amounts

**1. Service charges:** The variance is due to a low payment rate of services by consumers

**2. Rental of facilities:** Rental of facilities income arises from rental of apartments and land to members of the community in return for a fee. There were more functions held in the municipal halls in the current year.

# Dr. Pixley Ka Isaka Seme Local Municipality

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### 48. (continued)

**3. Interest received - trading:** The variance is due to interest being charged to consumer debtors' accounts due to non-payment of

services by consumers. This increased due to the increase in the accounts receivables.

**4. Agency fees:** License and permits income is earned as a percentage on the money which was collected by the municipality on behalf

of the Mpumalanga Department of Transport. The variance is due to low payment rate and less cars registered in Pixley.

**5. Rendering of services:** This is income earned from miscellaneous activities, and there is no control as to how much will be earned in each year.

**6. Interest on investment:** During the financial year the municipality invested surplus cash which generated more interest than anticipated.

**7. Property rates:** The increase in property rates was due to the reason of a new system that was appointed for property valuation and the alignment of billing to the valuation roll.

**8. Transfers and Subsidies:** More grants received in current year and spent in current year.

**9. Fines, penalties and forfeits:** More tickets were issued in current year.

**10. Depreciation and amortisation:** Depreciation was not calculated during the year. The depreciation calculation for the year was only

performed at year end which thus made it difficult to accurately budget for this expense item.

**11. Finance cost:** The "unwinding of discount" relating to the GRAP 19 (Environmental rehabilitation provision) and GRAP 25 (Employee benefit obligation) was accounted for as a separate expense line item during the current year. Please refer to paragraph C. within note 44.

"Comparative figures".

**12. Debt impairment:** As indicative of the increase in interest from trading the older debt (greater than 180 days) is starting to accumulate

within the consumer debtors sub ledger. This has resulted in an increased debt impairment calculation for the current financial year.

**Dr. Pixley Ka Isaka Seme Local Municipality**  
**Appendix B (Unaudited)**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**      **Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand



**Dr. Pixley Ka Isaka Seme Local Municipality**  
**Appendix B (Unaudited)**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation                      Accumulated depreciation**

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

**Dr. Pixley Ka Isaka Seme Local Municipality**

### Analysis of property, plant and equipment as at 30 June 2018

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**Dr. Pixley Ka Isaka Seme Local Municipality**  
**Appendix B (Unaudited)**

June 2019

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	57 597 633	-	-	-	-	-	57 597 633	-	-	-	(987 239)	-	3 428 283	57 597 633
Landfill Sites (Separate for AFS purposes)	9 936 333	200 131	-	-	-	-	10 136 464	4 413 522	-	-	-	-	-	13 552 747
Buildings (Separate for AFS purposes)	98 416 699	-	-	-	-	-	98 416 699	(44 688 289)	-	-	(2 787 859)	-	(47 486 129)	48 930 571
	<b>163 950 665</b>	<b>200 131</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164 186 796</b>	<b>(40 264 747)</b>	<b>-</b>	<b>-</b>	<b>(3 775 098)</b>	<b>-</b>	<b>(44 029 845)</b>	<b>120 120 851</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	411 260 956	-	-	1 278 783	-	-	412 539 739	(242 896 841)	-	-	(13 396 744)	(10 122 484)	(266 416 069)	146 123 670
Water	270 686 732	-	-	-	-	-	270 686 732	(131 873 483)	-	-	(13 083 560)	(28 046)	(144 963 089)	125 703 643
Electricity	198 860 570	-	-	14 287 615	-	-	213 148 385	(102 086 251)	-	-	(5 666 908)	(274 444)	(108 937 603)	105 110 782
Work in Progress	23 212 565	41 523 890	-	(25 661 084)	-	-	39 075 381	-	-	-	-	-	-	39 075 381
	<b>904 020 843</b>	<b>41 523 890</b>	<b>-</b>	<b>(10 094 496)</b>	<b>-</b>	<b>-</b>	<b>935 450 237</b>	<b>(478 868 575)</b>	<b>-</b>	<b>-</b>	<b>(32 147 212)</b>	<b>(10 422 974)</b>	<b>(519 436 761)</b>	<b>416 013 476</b>

**Dr. Pixley Ka Isaka Seme Local Municipality**  
**Appendix B (Unaudited)**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**      **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Other	3 485 999	-	-	-	-	-	3 485 999	-	-	-	-	-	-	3 485 999
	<b>3 485 999</b>						<b>3 485 999</b>							<b>3 485 999</b>
<b>Other assets</b>														
Other Assets	4 197 473	56 215	(807 513)	-	-	-	3 446 175	(2 088 034)	-	-	(478 437)	-	(2 567 471)	878 704
Community Assets	32 287 497	-	-	-	-	-	32 287 497	(8 793 632)	-	-	(735 083)	-	(9 528 725)	22 758 772
Transport Assets	16 836 711	3 557 683	-	-	-	-	20 394 394	(4 522 446)	(453 621)	-	(1 655 956)	(188 393)	(5 820 466)	13 573 939
	<b>53 321 681</b>	<b>3 613 898</b>	<b>(807 513)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56 128 066</b>	<b>(19 553 203)</b>	<b>-</b>	<b>-</b>	<b>(4 829 604)</b>	<b>(170 719)</b>	<b>(24 553 626)</b>	<b>46 824 713</b>

**Dr. Pixley Ka Isaka Seme Local Municipality**  
**Appendix B (Unaudited)**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation**

**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	163 950 865	200 131	-	-	-	-	164 150 996	(40 254 747)	-	-	(3 775 098)	-	(44 028 845)	120 120 951
Infrastructure	904 020 843	41 523 890	-	(10 094 496)	-	-	935 450 237	(476 866 575)	-	-	(32 147 212)	(10 422 874)	(519 436 761)	416 013 476
Heritage assets	3 485 999	-	-	-	-	-	3 485 999	(19 553 203)	-	-	(4 828 604)	(170 719)	(24 553 526)	3 485 999
Other assets	53 321 881	3 613 898	(807 513)	-	-	-	56 128 066	(19 553 203)	-	-	(4 828 604)	(170 719)	(24 553 526)	46 824 713
	<b>1 124 779 188</b>	<b>45 337 919</b>	<b>(807 513)</b>	<b>(10 094 496)</b>	-	-	<b>1 159 215 068</b>	<b>(538 874 525)</b>	-	-	<b>(40 751 914)</b>	<b>(10 593 693)</b>	<b>(588 020 132)</b>	<b>585 445 139</b>
<b>Agricultural/Biological assets</b>														
Intangible assets														
Other	1 728 146	-	-	-	-	-	1 728 146	(1 728 146)	-	-	-	-	(1 728 146)	-
	<b>1 728 146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 728 146</b>	<b>(1 728 146)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 728 146)</b>	<b>-</b>
<b>Investment properties</b>														
Investment property	134 156 109	-	-	-	-	-	134 156 109	(24 677 797)	-	-	(1 174 049)	-	(25 851 846)	108 934 468
	<b>134 156 109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134 156 109</b>	<b>(24 677 797)</b>	<b>-</b>	<b>-</b>	<b>(1 174 049)</b>	<b>-</b>	<b>(25 851 846)</b>	<b>108 934 468</b>
<b>Total</b>														
Land and buildings	163 950 865	200 131	-	-	-	-	164 150 996	(40 254 747)	-	-	(3 775 098)	-	(44 028 845)	120 120 951
Infrastructure	904 020 843	41 523 890	-	(10 094 496)	-	-	935 450 237	(476 866 575)	-	-	(32 147 212)	(10 422 874)	(519 436 761)	416 013 476
Heritage assets	3 485 999	-	-	-	-	-	3 485 999	(19 553 203)	-	-	(4 828 604)	(170 719)	(24 553 526)	3 485 999
Other assets	53 321 881	3 613 898	(807 513)	-	-	-	56 128 066	(19 553 203)	-	-	(4 828 604)	(170 719)	(24 553 526)	46 824 713
Intangible assets	1 728 146	-	-	-	-	-	1 728 146	(1 728 146)	-	-	(1 174 049)	-	(1 728 146)	-
Investment properties	134 156 109	-	-	-	-	-	134 156 109	(24 677 797)	-	-	(1 174 049)	-	(25 851 846)	108 934 468
	<b>1 260 863 443</b>	<b>45 337 919</b>	<b>(807 513)</b>	<b>(10 094 496)</b>	-	-	<b>1 295 099 353</b>	<b>(563 080 468)</b>	-	-	<b>(41 925 563)</b>	<b>(10 593 693)</b>	<b>(615 600 124)</b>	<b>695 379 607</b>

